

McNAIR LAW FIRM, P.A.
ATTORNEYS AND COUNSELORS AT LAW

www.mcnaire.net

BANK OF AMERICA TOWER
1301 GERVAIS STREET, 17th FLOOR
COLUMBIA, SOUTH CAROLINA 29201

POST OFFICE BOX 11390
COLUMBIA, SOUTH CAROLINA 29211
TELEPHONE (803)799-9800
FACSIMILE (803)376-2277

January 12, 2006

Mr. Charles L. A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
Synergy Business Park, The Saluda Building
101 Executive Center Drive
Columbia, South Carolina 29210

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**Re: Petition of Budget Phone, Incorporated for Designation as an Eligible
Telecommunications Carrier in certain BellSouth and Verizon Exchanges
for the Purpose of Receiving Federal Universal Service Support
Docket No. 2005-219-C**

Dear Mr. Terreni:

Enclosed for filing in the above-referenced matter, please find an original and twenty-five (25) copies of the Testimony of Douglas Duncan Meredith. By copy of this letter and Certificate of Service, all parties of record are being served with a copy of Mr. Meredith's Testimony by U. S. Mail.

Please clock in a copy of this filing and return it to us by our courier.

Thank you for your assistance.

Very truly yours,

Margaret M. Fox

Margaret M. Fox

MMF/rwm
Enclosures

cc: Parties of Record

RETURN DATE: *ok*
SERVICE: *ok too*

BEFORE
THE PUBLIC SERVICE COMMISSION
OF
SOUTH CAROLINA

Docket No. 2005-219-C

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SC PUBLIC SERVICE
COMMISSION

IN RE: Petition of Budget Phone, Incorporated for)
 Designation as an Eligible Telecommunications)
 Carrier in certain BellSouth and Verizon Exchanges)
 for the Purpose of Receiving Federal Universal)
 Service Support.)
_____)

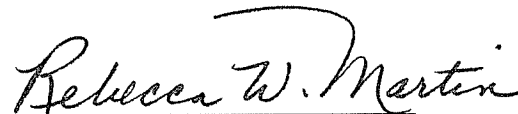
**CERTIFICATE
OF SERVICE**

I, Rebecca W. Martin, Secretary for McNair Law Firm, P. A., do hereby certify that I have this date served one (1) copy of the Testimony of Douglas Duncan Meredith in the above-referenced matter on the following parties of record by causing said copy to be deposited with the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below.

Lance J. M. Steinhart, Esquire
1720 Windward Concourse
Suite 250
Alpharetta, Georgia 30005

Nanette Edwards, Esquire
Wendy B. Cartledge, Esquire
South Carolina Office of Regulatory Staff
Post Office Box 11263
Columbia, South Carolina 29211

Ronald Munn, Jr.
Director, Regulatory & Revenue Assurance
Budget Phone, Incorporated
Post Office Box 19360
Shreveport, Louisiana 71149


Rebecca W. Martin
McNair Law Firm, P.A.
Post Office Box 11390
Columbia, South Carolina
(803) 799-9800

January 12, 2006

Columbia, South Carolina

BEFORE
THE PUBLIC SERVICE COMMISSION
OF
SOUTH CAROLINA
Docket No. 2005-219-C

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SC PUBLIC SERVICE
COMMISSION

TESTIMONY OF DOUGLAS DUNCAN MEREDITH

Q: PLEASE STATE YOUR FULL NAME, PLACE OF EMPLOYMENT AND BUSINESS ADDRESS.

A: My full name is Douglas Duncan Meredith. I am employed by John Staurulakis, Inc. ("JSI"). JSI is a telecommunications consulting firm headquartered in Greenbelt, Maryland. My office is located at 547 Oakview Lane, Bountiful, Utah 84010.

Q: PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND EDUCATIONAL BACKGROUND.

A: At JSI, I am the Director of Economics and Policy. In this capacity, I assist clients with the development of policy pertaining to economics, pricing and regulatory affairs. I have been employed by JSI since 1995. Prior to my work at JSI, I was an independent research economist in the District of Columbia and a graduate student at the University of Maryland – College Park.

1 In my employment at JSI, I have participated in numerous proceedings for rural
2 and non-rural telephone companies. These activities include, but are not limited
3 to, the creation of forward-looking economic cost studies, the development of
4 policy related to the application of the rural safeguards for qualified local
5 exchange carriers, the determination of Eligible Telecommunications Carriers,
6 and the sustainability and application of universal service policy for
7 telecommunications carriers.

8
9 In addition to assisting telecommunications carrier clients, I have served as the
10 economic advisor for the Telecommunications Regulatory Board of Puerto Rico
11 since 1997. In this capacity, I provide economic and policy advice to the Board
12 Commissioners on all telecommunications issues that have either a financial or
13 economic impact. I have participated in a number of arbitration panels
14 established by the Board to arbitrate interconnection issues under Section 252 of
15 the Telecommunications Act of 1996 (the "Act").

16
17 I am participating or have participated in numerous national incumbent local
18 exchange carrier and telecommunications groups, including those headed by
19 NTCA, OPASTCO, USTA, and the Rural Policy Research Institute. My
20 participation in these groups focuses on the development of policy
21 recommendations for advancing universal service and telecommunications
22 capabilities in rural communities and other policy matters.

23

1 I have testified or filed pre-filed regulatory testimony in various states including
2 Michigan, New Hampshire, New York, North Dakota, South Carolina, South
3 Dakota, Texas, Utah, Vermont, and Wisconsin. I have also participated in
4 regulatory proceedings in many other states that did not require formal testimony,
5 including Florida, Louisiana, Mississippi, North Carolina, Puerto Rico and
6 Virginia. In addition to participation in state regulatory proceedings, I have
7 participated in federal regulatory proceedings through filing of formal comments
8 in various proceedings and submission of economic reports in an enforcement
9 proceeding.

10

11 I have a Bachelor of Arts degree in economics from the University of Utah, and a
12 Masters degree in economics from the University of Maryland – College Park.
13 While attending the University of Maryland – College Park, I was also a Ph.D.
14 candidate in Economics. This means that I completed all coursework,
15 comprehensive and field examinations for a Doctorate of Economics without
16 completing my dissertation.

17

18 **Q: ON WHOSE BEHALF ARE YOU PRESENTING THIS PRE-FILED**
19 **DIRECT TESTIMONY?**

20 A: I am testifying on behalf of the South Carolina Telephone Coalition (“Coalition”).

1 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 A: The purpose of my testimony is to examine the request or application of Budget
3 Phone, Incorporated (“Budget Phone”) to be designated as an eligible
4 telecommunications carrier (“ETC”) in areas of South Carolina served by
5 BellSouth and Verizon. While Budget Phone’s request is limited to non-rural
6 areas of the state, there are significant policy questions that arise in the application
7 that impact all telephone companies in the state of South Carolina. First, does
8 Budget Phone offer services for which it can properly receive federal high cost
9 support? And second, would granting this application further the public interest?
10 My testimony addresses these questions, which I believe are significant and
11 compel the Coalition to actively participate in this proceeding.

12
13 **Q: PLEASE SUMMARIZE YOUR TESTIMONY.**

14 A: For the reasons stated herein, I recommend the Commission conduct a rigorous
15 review of the factual contentions made by Budget Phone in this proceeding and,
16 specifically, the contentions it makes regarding how it will provide eligible
17 service and whether the public interest would be served by a grant of its request
18 for ETC status in the areas served by BellSouth and Verizon. Based on my
19 review of this matter, it does not appear that Budget Phone has satisfied its burden
20 of showing that it should be granted ETC designation in non-rural areas of South
21 Carolina. First, Budget Phone fails to provide specific documentation to ensure it
22 would be receiving federal high cost support only for those lines served with its
23 own facilities (including unbundled network elements or “UNEs”). Second,

1 Budget Phone's application does not appear to meet the minimum eligibility
2 requirements set forth for designating additional ETCs by the Federal
3 Communications Commission ("FCC") in its March 17, 2005 order.¹ Finally,
4 Budget Phone has not demonstrated that the public interest would be served if its
5 application were granted.

6

7 **Q: WHAT IS YOUR UNDERSTANDING OF HOW BUDGET PHONE**
8 **OFFERS SERVICES TO ITS CUSTOMERS?**

9 A: I understand from Budget Phone's witness, Mr. Munn, that Budget Phone offers
10 services either through a UNE platform – this is a situation where Budget Phone
11 obtains UNE loops and UNE switching from BellSouth or Verizon, known as
12 "UNE-P"– or through resale of BellSouth or Verizon retail service offerings.
13 (Munn at 14)

14

15 **Q: DO YOU AGREE WITH BUDGET PHONE THAT IT MAY BE**
16 **DESIGNATED AN ETC USING UNE-P AND RESALE?**

17 A: I am concerned how Budget Phone is proposing to offer ETC services. I
18 understand the FCC permits a carrier to be designated if it offers services using its
19 own facilities or a combination of its own facilities and resale of another carrier's
20 services.² Budget Phone's approach in its petition and testimony does not appear

¹ See Report and Order, *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, 20 FCC Rcd 6371 (rel. March 17, 2005) ("ETC Designation Order").

² 47 U.S.C. § 214(e)(1)(A) (A carrier designated as an ETC must, among other requirements, "offer the services that are supported by Federal universal service support mechanisms under Section 254(c), either using its own facilities or a combination of its own facilities and resale of another carrier's services (including the services offered by another eligible telecommunications carrier)").

1 to recognize that UNE-P obligations for BellSouth and Verizon are being phased
2 out. According to the FCC, BellSouth and Verizon are not required to offer UNE-
3 P to Budget Phone for new customers, and will not be required to offer UNE-P to
4 Budget Phone for existing UNE-P customers after March 11, 2006.³ Thus, it
5 appears that in a very short time Budget Phone will be left with only a resale
6 offering in South Carolina and this would not qualify it for ETC designation for
7 federal high cost support.

8
9 Budget Phone sketches its five-year plan for South Carolina without any reference
10 to this change that will be required in its operational plans.⁴ I recommend the
11 Commission determine this proposed five-year plan is inadequate, as it is not

³ Order on Remand, *In the Matter of Unbundled Access to Network Elements; Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers*; WC Docket No. 04-313; CC Docket No. 01-338; 20 FCC Rcd 2533 at ¶ 227 (rel. February 4, 2005) (“Triennial Review Remand Order”). The twelve month phase out of mass market switching is March 11, 2006, one year from publication of the FCC’s order in the Federal Register. I note that current FCC rules do not require UNE-P for new customers. Since only two service offering options were provided in Budget Phone’s testimony; namely UNE-P and resale, I can only conclude that Budget Phone’s future activity in South Carolina will be limited to resale only. A full citation of paragraph 227 follows, footnotes omitted: (“We require competitive LECs to submit the necessary orders to convert their mass market customers to an alternative service arrangement within twelve months of the effective date of this Order. This transition period shall apply only to the embedded customer base, and does not permit competitive LECs to add new UNE-P arrangements using unbundled access to local circuit switching pursuant to section 251(c)(3) except as otherwise specified in this Order. The transition we adopt is based on the incumbent LECs’ asserted ability to convert the embedded base of UNE-P customers to UNE-L on a timely basis while continuing to meet hot cut demand for new UNE-L customers. We believe it is appropriate to adopt a longer, twelve-month, transition period than was proposed in the Interim Order and NPRM. We believe that the twelve-month period provides adequate time for both competitive LECs and incumbent LECs to perform the tasks necessary to an orderly transition, which could include deploying competitive infrastructure, negotiating alternative access arrangements, and performing loop cut overs or other conversions. Consequently, carriers have twelve months from the effective date of this Order to modify their interconnection agreements, including completing any change of law processes. By the end of the twelve month period, requesting carriers must transition the affected mass market local circuit switching UNEs to alternative facilities or arrangements.”)

⁴ Budget Phone alleges it has provided information regarding a five-year plan. (Munn at 17) However, based on the information provided, it cannot be determined whether Budget Phone has plans to use UNEs after the UNE-P (“switched port/loop combination”) option has been eliminated. Budget Phone suggests continued use of a “switched port/loop combination” as the means it intends to use to remain functional in emergency situations. (Munn at 17) There is no consideration how Budget Phone will operate in its five year plan without access to UNE-P services from BellSouth or Verizon.

1 possible to determine with any specificity how Budget Phone will provide service
2 to the wire centers listed in its application.

3

4 **Q: IS IT YOUR UNDERSTANDING THAT A CARRIER OFFERING**
5 **SERVICES USING RESALE ONLY CANNOT BE AN ETC FOR HIGH**
6 **COST SUPPORT PURPOSES?**

7 A: Yes. A carrier offering only resale of another carrier's services cannot be
8 designated as an ETC.⁵

9

10 **Q: PLEASE EXPLAIN HOW A CARRIER USING UNE-P AND RESALE**
11 **RECEIVES FEDERAL HIGH COST SUPPORT.**

12 A: A carrier that qualifies as an ETC for federal high cost support may receive this
13 support for its own facilities or for the UNE facilities it leases from another carrier
14 (UNEs are treated by the FCC as a carrier's "own facilities" so long as they are
15 telecommunications facilities used to provide the universal service). The FCC
16 does not allow federal high cost support to be given to a competitive ETC for
17 lines it offers using resale. In 1997 the FCC stated: "we clarify the Joint Board's
18 recommendation on eligibility and find that carriers that provide service to some
19 customer lines through their own facilities and to others through resale are eligible
20 for support *only for those lines they serve through their own facilities.*"⁶ The FCC

⁵ See Report and Order, *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, 12 FCC Rcd 8776, at ¶ 290 (rel. May 8, 1997) ("As previously stated, we conclude that carriers that provide service throughout their service area solely through resale are not eligible for support.")

⁶ See *id.* ("In addition, we clarify the Joint Board's recommendation on eligibility and find that carriers that provide service to some customer lines through their own facilities and to others through resale are eligible for support only for those lines they serve through their own facilities. The purpose of the

1 reaffirmed its approach to exclude the eligibility of resold lines for competitive
2 ETCs on March 17, 2005.⁷

3

4 **Q: DOES BUDGET PHONE’S TESTIMONY RECOGNIZE THAT IT**
5 **SHOULD NOT RECEIVE SUPPORT FOR BELL SOUTH OR VERIZON**
6 **RESOLD LINES?**

7 A: No. While the testimony filed by Budget Phone correctly describes that a carrier
8 using UNEs and resale may be designated as an eligible telecommunications
9 carrier (Munn at 14), it is not clear Budget Phone recognizes that it cannot receive
10 support for those lines it serves using resale. On page 22, Mr. Munn calculates
11 the estimated support for Budget Phone. He states:

12 The amount was calculated by first determining the number
13 of subscribers Budget Phone has in each study area and
14 zone within its requested ETC designated area. Next
15 Budget Phone determined the rate of support per subscriber
16 for each of the study areas and zones, using USAC filings.
17 By multiplying the number of subscribers in each study
18 area/zone with the rate of support, Budget Phone
19 determined that it should receive approximately \$428
20 monthly in support, or approximately \$5,136 annually.

21

support is to compensate carriers for serving high cost customers at below cost prices. When one carrier serves high cost lines by reselling a second carrier’s services, the high costs are borne by the second carrier, not by the first, and under the resale pricing provision the second carrier receives revenues from the first carrier equal to end-user revenues less its avoidable costs. Therefore it is the second carrier, not the first, that will be reluctant to serve absent the support, and therefore it should receive the support.”) (Footnotes omitted).

⁷ ETC Designation Order, 20 FCC Rcd 6371, at note 57 (“Universal service support is not distributed for lines provided through resale of another carrier’s services. In addition, it should be noted that lines provided by an ETC through resale of another carrier’s services will not impact the universal service fund, since high-cost support is not disbursed to ETC lines provided in this manner. 47 CFR § 54.307. *See also* First Universal Service Report and Order, FCC Rcd at 8933-8934, at ¶ 290. Therefore, carriers who improve their networks through resale will have little or no impact on the universal service fund.”)

1 From this statement, it does not appear that Budget Phone has properly excluded
2 lines it serves through resale in South Carolina. The FCC does not permit
3 competitive ETCs to receive support for lines served through resale. To ensure
4 compliance with FCC policy, I recommend this Commission require Budget
5 Phone to identify only the lines it serves using UNEs or its own facilities for
6 purposes of this application. In the event Budget Phone is attempting to receive
7 support for lines it serves using resale, this Commission should reject this
8 application on grounds it is inappropriate, contrary to FCC policy, and not in the
9 public interest of South Carolina.

10
11 **Q: ARE YOU AWARE OF RECENT PROCEEDINGS AT THE FCC**
12 **ADOPTING ADDITIONAL REQUIREMENTS FOR CARRIERS**
13 **SEEKING ETC DESIGNATION?**

14 A: Yes. On March 17, 2005, the FCC released a Report and Order generally
15 affirming its prior holdings in the *Virginia Cellular* Order and *Highland Cellular*
16 Order. In this order, the FCC adopted additional requirements for ETC
17 designation proceedings in which the FCC acts pursuant to section 214(e)(6) of
18 the Act.⁸ Specifically, consistent with the recommendation of the Federal-State
19 Joint Board on Universal Service (“Joint Board”), the Commission found that an
20 ETC applicant must demonstrate: (1) a commitment and ability to provide
21 services, including providing service to all customers within its proposed service
22 area; (2) how it will remain functional in emergency situations; (3) that it will
23 satisfy consumer protection and service quality standards; (4) that it offers local

⁸ See ETC Designation Order, 20 FCC Rcd 6371.

1 usage comparable to that offered by the incumbent LEC; and (5) an understanding
2 that it may be required to provide equal access if all other ETCs in the designated
3 service area relinquish their designations pursuant to section 214(e)(4) of the Act.
4 These additional requirements are mandatory for all ETCs designated by the FCC.
5 The FCC recommends these additional requirements to state commissions for use
6 in their proceedings as well.
7

8 **Q: AFTER REVIEWING BUDGET PHONE'S APPLICATION AND**
9 **TESTIMONY, DOES BUDGET PHONE'S APPLICATION PROVIDE**
10 **SUFFICIENT INFORMATION TO DETERMINE WHETHER IT MEETS**
11 **THESE MINIMUM RECOMMENDED ADDITIONAL REQUIREMENTS?**

12 A: No. I believe Budget Phone's information is not sufficient to meet these
13 requirements. With respect to local usage, for example, the idea of comparable
14 local usage requires not only an examination of the amount of local usage
15 available to customers but also the affordability of this basic service for
16 customers. I have examined Budget Phone's December 21, 2005 tariff filing and
17 understand that Budget Phone offers services in the \$60-\$80 per-month range. I
18 compared these service rates with BellSouth and Verizon basic service rates and
19 cannot see any reasonable comparability. Budget Phone's offering does not
20 appear to meet the minimum comparability standard for local usage.

1

2 **Q: DO YOU BELIEVE THE COMMISSION HAS DISCRETION IN**
3 **ESTABLISHING ITS ETC DESIGNATION REQUIREMENTS FOR**
4 **BUDGET PHONE?**

5 A: Yes. First, the Act uses the phrase “public interest, convenience and necessity.”
6 These are the very same standards that the Commission has traditionally used to
7 ensure that the interests of all consumers within South Carolina are advanced.
8 The Act does not specify any limitation on the discretion of the state commission
9 in this regard with respect to the designation of additional ETCs. Moreover, the
10 FCC has not provided any specific direction or limitation imposed on the state
11 commissions regarding this determination. Quite the contrary, the FCC’s orders
12 reflect the intent and expectation of the FCC that each state will utilize its
13 discretion to protect the interests of its consumers in fostering the overall public
14 interest and not simply promote the short term financial goals of companies
15 seeking funding.

16

17 Second, the U.S. Court of Appeals for the Fifth Circuit overturned the FCC rules
18 that restricted state commissions to the minimum requirements for ETC
19 designation of common carriers. In this decision the court said that:

20 The FCC erred in prohibiting the states from imposing
21 additional eligibility requirements on carriers otherwise
22 eligible to receive federal universal service support. The
23 plain language of the statute speaks to the question of how
24 many carriers a state commission may designate, but
25 nothing in the subsection prohibits the states from imposing
26 their own eligibility requirements. This reading makes
27 sense in light of the states’ historical role in ensuring

1 service quality standards for local service. Therefore, we
2 reverse that portion of the Order prohibiting the states from
3 imposing any additional requirements when designating
4 carriers as eligible for federal universal service support.⁹
5

6 Finally, other states have imposed additional, competitively neutral requirements
7 on additional ETCs. For example, a decision in the State of Vermont for a
8 commercial mobile radio service provider seeking ETC designation in non-rural
9 areas of Vermont, concisely reviews the authority state commissions have to
10 impose additional requirements on ETC designees. The Vermont Public Service
11 Board correctly determined that the nearly automatic certifications in other states
12 and at the FCC are not controlling in Vermont, and that the Vermont Board has
13 the duty to apply the federal statute correctly. Regarding additional requirements,
14 the Vermont Board for instance requires that a carrier offer price discounts for the
15 hearing impaired, establish a basic rate for purposes of disconnection policies, and
16 adhere to the Vermont Board's consumer deposit policy. In addition to price
17 related regulations, the Vermont Public Board imposed additional conditions on
18 the competitive ETC including going-forward coverage requirements and the
19 periodic filing of financial information for state commission review.¹⁰
20

⁹ *Texas Office of Public Utility Counsel v. Federal Communications Commission*, 183 F. 3d 393 (5th Cir. 1999).

¹⁰ *In re: Designation of Eligible Telecommunications Carriers Under the Telecommunications Act of 1996 (In re: RCC Atlantic, Inc. d/b/a Unicel)*, State of Vermont Public Service Board, Docket No. 5918 (2003).

1 **Q: DOES BUDGET PHONE NEED TO DEMONSTRATE THAT THE**
2 **"PUBLIC INTEREST" WOULD BE SERVED BY ITS DESIGNATION AS**
3 **AN ETC IN THIS PROCEEDING?**

4 A: Yes. Budget Phone recognizes this requirement. (Munn at 21) In addition to the
5 general requirements for ETC designation as described in Section 214(e)(1), the
6 Act requires the Commission find that designation of an additional ETC is in the
7 public interest.¹¹ The Act requires state commissions to examine carefully the
8 public interest, convenience and necessity for each request, regardless of whether
9 it is a rural area or a non-rural area.¹²

10

11 **Q: ISN'T THE DESIGNATION FOR A CARRIER SEEKING ETC STATUS**
12 **IN A NON-RURAL AREA SUPPOSED TO BE SOMEWHAT**
13 **MECHANICAL OR LARGELY CEREMONIAL?**

14 A: No. This Commission has the responsibility to determine whether the Budget
15 Phone application is in the public interest. I do not believe the designation of an
16 ETC in any area is intended to be a "rubber stamp" or largely ceremonial task.

17

¹¹ 47 U.S.C. § 214(e)(2) ("Upon request and consistent with the public interest, convenience, and necessity, the State commission may, in the case of an area served by a rural telephone company, and shall, in the case of all other areas, designate more than one common carrier as an eligible telecommunications carrier for a service area designated by the State commission, so long as each additional requesting carrier meets the requirements of paragraph (1).") (Emphasis supplied.)

¹² ETC Designation Order, 20 FCC Rcd 6371, at ¶ 3 ("We find that, under the statute, an applicant should be designated as an ETC only where such designation serves the public interest, regardless of whether the area where designation is sought is served by a rural or a non-rural carrier.")

1 **Q: BASED ON YOUR UNDERSTANDING OF THE PUBLIC INTEREST AS**
2 **IT RELATES TO ETC DESIGNATION, IS THE BUDGET PHONE**
3 **REQUEST IN THE PUBLIC INTEREST?**

4 A: One reason I believe the Commission should seriously review the Budget Phone
5 request is that it fails to provide the public with any certainty that there will be a
6 carrier of last resort that provides services determined to be necessary for the
7 public. The designation of a second ETC in any area of South Carolina should
8 provide the public with some certainty that there will be an ultimate carrier
9 offering universal service to customers. In this proceeding, Budget Phone
10 indicates it is using UNE-P and resale to offer services. Budget Phone has not
11 provided any assurances it will operate in South Carolina using UNEs once UNE-
12 P requirements are removed from BellSouth and Verizon. I have difficulty seeing
13 how designating a carrier as an ETC will be a public benefit if this carrier has not
14 demonstrated its ability and willingness to offer services as a sole ETC in a
15 service area. The Act permits a carrier to relinquish its ETC duties provided there
16 is more than one eligible telecommunications carrier.¹³ A carrier seeking ETC
17 designation should demonstrate an ability and willingness to take on this
18 responsibility. Based on my review of its application and testimony, I believe
19 Budget Phone does not recognize this responsibility. I encourage the Commission
20 to view the purpose of an ETC designation not merely as a mechanism to receive
21 federal support *per se*, but as a mechanism to provide citizens of South Carolina
22 the assurance that universal services will be available by a willing and able

¹³ See 47 U.S.C. 214(e)(4).

1 carrier.¹⁴ Under this view, I recommend the Commission reject Budget Phone's
2 request for ETC designation.

3

4 **Q: ON WHAT BASIS DO YOU BELIEVE THAT THE COMMISSION**
5 **SHOULD UNDERTAKE A RIGOROUS ANALYSIS?**

6 A: At least two FCC commissioners have raised the issue of whether states have, in
7 fact, undertaken the type of review that would ensure compliance with the
8 requirements of Section 214 prior to designating an additional ETC. Specifically,
9 as part of the FCC's July 14, 2003 action regarding the definition of universal
10 service, FCC Commissioners Abernathy and Adelstein jointly stated:

11 [W]e are concerned that the ETC designation process – and
12 in particular the public interest analysis – has been
13 conducted in an inconsistent and sometimes insufficiently
14 rigorous manner. Providing federal guidance on these
15 issues will afford regulatory certainty to competitive ETCs,
16 as well as incumbent LECs. It will also help stabilize the
17 funding mechanism.¹⁵

18

19 While these comments addressed the public interest for rural areas, they apply
20 with equal force for non-rural areas due to the FCC's more recent policy
21 statements.¹⁶ It seems reasonable to conclude that if the need for a rigorous
22 review is recognized and fostered by federal regulators in order to ensure that the
23 public interest is served, it only seems reasonable that a rigorous approach should
24 be applied here in South Carolina to advance the overall interests of its citizens.

¹⁴ See Indiana Utility Regulatory Commission, Cause No. 41052-ETC-45, March 17, 2004.

¹⁵ See Order and Order on Reconsideration, *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, FCC 03-170 (rel. July 14, 2003).

¹⁶ ETC Designation Order, 20 FCC Rcd 6371, at ¶ 3.

1

2 **Q: WOULDN'T THE APPROACH OF A RIGOROUS APPLICATION**
3 **REVIEW THAT YOU ARE SUGGESTING AMOUNT TO A BARRIER TO**
4 **ENTRY?**

5 A: No. I understand that Budget Phone only offers a pre-paid phone service for
6 credit-challenged customers. Budget Phone is already a carrier in South Carolina
7 and the tariff prices Budget Phone has filed with this Commission indicate to me
8 that Budget Phone charges a large premium for customers with less than ideal
9 credit and payment histories. It is unfortunate there is a need for a niche carrier to
10 offer services to credit-challenged customers in South Carolina; however, the
11 existence of Budget Phone in South Carolina for a niche market does not
12 demonstrate there is an overall public interest to designate this niche carrier as an
13 ETC.

14

15 **Q: WHAT IS YOUR RECOMMENDATION TO THIS COMMISSION**
16 **REGARDING BUDGET PHONE'S APPLICATION?**

17 A: I recommend the Commission deny Budget Phone's application as an ETC in the
18 areas served by BellSouth and Verizon. There are serious questions about how
19 Budget Phone will offer service in the future when UNE-P is not available. The
20 information contained in its five-year plan does not provide sufficient detail for
21 the Commission to determine whether Budget Phone's operations in South
22 Carolina will be eligible for federal high cost fund disbursements. Further, I do
23 not believe it is in the public interest to designate Budget Phone as an ETC.

1 Budget Phone has no long-term facilities in South Carolina that would suggest an
2 ability to serve as a sole ETC – thus there is no assurance given to the customers
3 of South Carolina that this designation will serve the public interest by ensuring
4 that universal service will be available at affordable rates to all customers.

5

6 **Q: DOES THIS CONCLUDE YOUR TESTIMONY?**

7 A: Yes.